

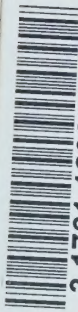
Mr Borden

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A
SUBMISSION
TO THE
**ROYAL COMMISSION
ON ENERGY**
CANADA

BY
TRIAD OIL CO. LTD.
CALGARY, ALBERTA
APRIL 1958



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Exhibit CC-8-1

A
SUBMISSION
TO THE
ROYAL COMMISSION
ON ENERGY
CANADA

Messrs E.H. Tanner
S. Pratt
Hyne
Bonnell.

BY
TRIAD OIL CO. LTD.
CALGARY, ALBERTA
APRIL 1958

TRIAD OIL CO. LTD.



INTRODUCTION

As requested by the Royal Commission On Energy, Triad Oil Co. Ltd. presents herein its comments with respect to Clauses (a), (b) and (c) of the Commission's terms of reference as they relate to the petroleum industry.

We should like first to present a brief outline of the background and activities of Triad, together with certain observations concerning the Canadian oil and gas industry, with emphasis on the position of the producer.

THE COMPANY

Triad Oil Co. Ltd. was incorporated under the laws of the Province of Alberta on October 17, 1951, and is actively engaged in exploration and production activities in Western Canada. The Company is not engaged in refining and marketing.

In 1953 agreement was reached with The British Petroleum Company Limited of London, England, whereby the BP Group was given the right to acquire at least a 50% interest in Triad. Pursuant to this agreement the BP Group will have acquired approximately a 50% interest by the end of 1958.

Apart from the interest purchased by the BP Group, Triad has confined the offering of its securities to Canada. The Company is not registered under the Securities and Exchange Commission of the United States.

Since 1954 Triad's operations have been considerably expanded in the exploration field. In this, Triad's management has been aided by advice and technical staff from the BP Group.

THE CANADIAN PETROLEUM INDUSTRY

From the discovery of Leduc in 1947 up to and including 1957 approximately \$3,000,000,000 has been spent on exploration and development in Western Canada.

Capital has been supplied from various sources including oil companies and other investors in the United States, Canada, the United Kingdom and other European countries.

We suggest that the substantial sums of capital employed were invested in anticipation of the industry's being permitted to market its production in areas within economic reach, subject of course to the national interest.

The Canadian oil and gas industry produces new wealth; attracts capital for investment; creates employment; assists Canada's trade balance; benefits other industries through purchases of supplies and services; attracts new industries; and provides income to municipal, provincial and federal authorities through payment of royalties, rentals, bonuses and taxes.

Most of Canada's oil and gas reserves are located in the Western Plains and Foothills regions lying east of the Rocky Mountains. Present and potential markets, both in Canada and certain parts of the United States, must be reached mainly by long distance pipeline systems. As development of reserves continues to extend into more remote areas costs will increase. The distance from market results in comparatively low wellhead prices for the producer.

In view of the location of Canada's reserves with respect to major markets it is essential to the maintenance and growth of the producing industry that sales to all available markets be permitted, providing domestic needs are assured.

It is not Triad's intention to submit additional statistical data regarding reserves and markets. Such information has been and will be supplied by government bodies, the Canadian Petroleum Association, and various oil, gas and transmission companies. According to this information, proven oil reserves of some 3 billion barrels and gas reserves of some 20 trillion cubic feet have been found. Future oil reserves in the order of 50 billion barrels, and future gas reserves in the order of 300 trillion cubic feet have been regarded as probable.

It is generally accepted that Canada has an exportable surplus of oil, and we believe that the evidence before the Commission indicates an exportable surplus of gas.

The Alberta Oil and Gas Conservation Board has estimated that 21 trillion cubic feet of gas has already been proven in the Province of Alberta. These reserves have been found largely incidental to the search for oil. The Board estimates that natural gas requirements for Alberta to December 31, 1986 are 7.6 trillion cubic feet, and has approved export permits to other parts of Canada and the United States totalling approximately 6 trillion cubic feet. Applications now before the Board request permission to export an additional 5.5 trillion cubic feet. This combined total of approximately 19 trillion cubic feet indicates a favorable balance in the Province of Alberta alone, even though future requirements are related to present reserves.

We appreciate that certain estimates of additional potential demand in Canada have been extrapolated to figures in excess of current proven reserves. However, we contend that to relate demand to supply the comparison must be brought into balance by relating current demand to proven reserves and potential demand to potential reserves.

Canada's reserves of proven gas have been increasing at the rate of about 2 trillion cubic feet a year. Past Canadian experience has led the Alberta Conservation Board to suggest that "the Province of Alberta can safely anticipate a growth rate of 6 billion cubic feet per wildcat well for the next several years". This experience has resulted largely without a direct incentive to explore for and develop gas reserves.

The creation of positive incentive, by providing for the near term sale of gas to volume markets, will encourage producers to exert their efforts in aggressive exploration, which should result in the conversion of a substantial part of this vast potential to proven resources. Such action would assure the Canadian consumer of additional proven reserves to meet future requirements.

It is indicated that new markets for Canadian gas are now available in the United States on a considerably more attractive basis than anything heretofore open to producers. If such markets are denied and present outlets only are to be available, competition for the purchase of gas is largely eliminated. If the sale of proven reserves is materially deferred the asset would have little or no present worth; incentives to find additional supplies will disappear, and development will be curtailed.

COMMENTS ON TERMS OF REFERENCE, Clauses (a), (b) and (c)

Clause (a) . . "the policies which will best serve the national interest in relation to the export of energy and sources of energy from Canada;"

On the basis of the comments submitted under the heading "The Canadian Petroleum Industry", Triad believes that a policy of permitting the export of surplus oil and gas reserves is in the national interest. / x

We believe that export policies should be reviewed periodically and revised in the light of conditions as they exist from time to time, to assure continued protection of Canadian requirements. / x

Clause (b) . . "the problems involved in, and the policies which ought to be applied to, the regulation of the transmission of oil and natural gas between provinces or from Canada to another country, including, but without limiting the generality of the foregoing, the regulation of prices or rates to be charged or paid, the financial structure and control of pipeline corporations in relation to the setting of proper prices or charges, and all such other matters as it is necessary to enquire into and report upon, in order to ensure the efficient and economical operation of pipelines in the national interest;"

As previously mentioned, Triad is an exploration and production company operating in Western Canada, and therefore does not feel qualified to express opinions of more than a general nature with reference to the subjects included in Clauses (b) and (c).

With reference to Clause (b), we believe that pipeline corporations, including inter-provincial oil and gas transmission systems, render a valuable service to both the country and the industry. In the early stages these corporations are frequently faced with varying problems in the financing, construction and operation of the projects. Reserves and market or deficiency guarantees are generally required. We therefore believe that they should be given an opportunity to become firmly established with a minimum of regulation to ensure efficient use of national resources for the common good. If safeguards other than those already provided are found necessary in the national interest from time to time, it is suggested they be accomplished through existing Federal and Provincial bodies. There should be a minimum of duplication and maximum co-operation between Federal and Provincial authorities.

Clause (c) . . . "the extent of authority that might best be conferred on a National Energy Board to administer, subject to the control and authority of Parliament, such aspects of energy policy coming within the jurisdiction of Parliament as it may be desirable to entrust to such a Board, together with the character of administration and procedure that might best be established for such a Board;"

In our opinion it is doubtful if the formation of a National Energy Board is necessary to protect Canada's energy resources in the national interest. We believe that adequate protection can be achieved through existing Federal and Provincial bodies without adding further, and to some extent duplicating, authorities.

Respectfully submitted,

TRIAD OIL CO. LTD.

April 1958.

